

***MINUTES OF THE MEETING OF
THE NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
AUDIT COMMITTEE***

March 27, 2024

A meeting of the Members of the Audit Committee of the New York City Housing Development Corporation (the “Corporation”) was held at the Corporation’s office at 120 Broadway on Wednesday, March 27, 2024.

The meeting was called to order at 10:45am by Mr. Harry Gould, Board Member, who noted the presence of a quorum. Mr. Gould called for approval of the minutes from the January 18, 2024 meeting. The minutes were approved.

Mr. Gould then turned to Ms. Cathy Baumann, Executive Vice President and Chief Financial Officer, to provide an overview of the agenda. Ms. Baumann provided an overview of the agenda.

Mr. Gould then turned to Mr. Cheuk Yu, Deputy Controller, to present the FY 2024 First Quarter Financial Report. Mr. Yu noted that the first quarter of fiscal year 2024 financials covers the period November 1, 2023, thru January 31, 2024. As of the end of the first quarter, Mr. Yu stated that revenues exceeded expenses by \$238.3 million, compared with the same period in FY 2023 when net income was \$169.1 million. The increase of \$69.2 million was a result of a combination of an increase in the mortgage loan portfolio and higher interest rates, as well as improvement in the fair market value of the Corporation’s investment securities.

Mr. Yu continued by reporting that operating revenues for this period were \$220.9 million compared to \$184.1 million during the same period last year. Mortgage interest earnings increased by \$39.1 million or 25.7% from a year ago. Non-operating revenues, which mainly consist of investment earnings, saw an increase largely due to the improvement in the fair market value. Realized investment earnings increased by \$14.6 million from a year ago. Operating expenses were \$128.9 million, an increase of \$19.9 million, primarily related to the \$17.9 million increase in bond interest expense reflecting the higher interest rate environment.

Total assets were at \$25.2 billion, an increase of \$728 million or 3% from fiscal year end 2023. This increase was mainly due to the Corporation’s on-going lending activities, as mortgage loan advances were at \$595.1 million through this period. The mortgage portfolio, net of conduit loans, was \$20 billion and comprises 79.3% of total assets; the portfolio is currently performing relatively well.

Mr. Yu concluded stating that total liabilities were \$20.9 billion, a net increase of \$489.7 million or 2.4% from FYE 2023. Bonds and debt obligations increased by a net of \$201.1 million. New issuances were at \$425.9 million, while principal repayments totaled \$189.2 million. Mr. Yu closed by noting that the net position at the end of the first quarter was \$4.3 billion, up by \$238.3 million from fiscal year end 2023.

Mr. Gould posed a question whether the Corporation is locking in any higher interest rates in the investment portfolio. Ms. Ellen Duffy, Executive Vice President of Capital Markets and Investments, noted that the Corporation is continuing to monitor the hedges on floating rates. In addition, Ms. Duffy noted that there are several portfolio securities the Corporation is holding onto that are below market. Mr. Eric Enderlin, President, noted that the Corporation is properly hedged while acknowledging that interest rates going up or down will have impacts in both directions for the Corporation. Mr. Enderlin pointed to the positives of the forward securitization work the Corporation has undertaken in recent years in obtaining favorable rates.

Mr. Gould posed another question regarding New York Community Bank and the impact of recent events on the Corporation. Ms. Duffy noted that the Corporation still has deposits with New York Community Bank (“NYCB”), which are fully collateralized with a Federal Home Loan Bank Letter of Credit. Ms. Duffy noted that the merger of Signature Bank, New York Community Bank, and Flagstar Bank brought deposits to a higher level than the Corporation’s standard practice of \$500 million per institution; however, the level has been decreasing. Ms. Duffy noted that the Corporation is opening new bank accounts and buying new securities in the hopes of locking in higher rates with a more diverse group of banks. Mr. Enderlin emphasized that the bigger question is a policy question for the city on what happens to the stabilized stock in the NYCB portfolio. We expect developments with this portfolio to flow differently than the resolution of the Signature Bank portfolio where the FDIC stepped in. In the NYCB case, we, along with our HPD partners, should pay close attention to NYCB’s business plan.

Mr. Gould called on Ms. Duffy to present the Corporation’s Debt Report. Ms. Duffy stated that the Corporation’s Debt Report is as of February 29, 2024. The last report presented to the Audit Committee was as of December 31, 2023. During this time, Ms. Duffy noted that the Corporation did not issue any bonds or redeem any bonds. The Corporation’s debt outstanding as of February 29, 2024 is approximately \$16 billion. The Corporation’s statutory debt capacity is \$19 billion.

Mr. Gould again turned to Ms. Duffy to present the Corporation’s Investment Report. Ms. Duffy stated that the Corporation’s Investment Report is as of March 4, 2024. Funds under management totaled approximately \$6.1 billion. Ms. Duffy concluded that this report reflects routine investment activity.

Mr. Gould then called on Ms. Mary Hom, Chief Risk Officer, for the Corporation’s Counterparty Credit Risk Exposure Report. Ms. Hom noted that the report is dated February 29, 2024. The previous report to the Audit Committee was dated December 31, 2023.

Ms. Hom stated that while there were no new approved counterparties, there were numerous rating actions taken on New York Community Bank, also known as Flagstar Bank, since the last report. In response to the Bank’s Q4 2023 earnings release which revealed substantial unanticipated loss related to office and multifamily properties, coupled with management and Board realignment, and perceived material weakness in internal controls, Moody’s downgraded NYCB/Flagstar twice (February 7 and March 1, respectively) taking the long-term deposit rating from A3 to Ba3. On March 15, Moody’s

then upgraded NYCB/Flagstar to Ba2 from Ba3 with a positive outlook citing the Bank's closing of \$1.05 billion in capital commitments from several institutional investors, as well as receiving an unqualified audit opinion on its 2023 financial statements.

Ms. Hom added that HDC's counterparty exposure remains diversified with the largest exposures being with FNMA, FHLMC, and Wells Fargo. The Wells Fargo exposure is primarily in the form of construction letters-of-credit covering 23 projects and five interest rate hedges. Investments rated double-A or higher were 47% of total investments, versus 46% at the last report. Investments rated triple-B or not rated were 48% of total investments, versus 40% at the last report. All investments rated triple-B or not rated are fully collateralized by high quality U.S. Treasury/Agency securities and/or FHLB letters-of-credit. The weighted average maturity of the investment portfolio was 2.35 years, versus 2.42 years at the last report. Ms. Hom concluded noting that HDC's exposure to liquidity providers and swap providers was unchanged at approximately \$740 million and \$1.75 billion, respectively.

Mr. Gould again turned to Ms. Hom to present the Internal Audit Report. Since the last report to the Audit Committee on January 18, 2024, Ms. Hom noted that two internal audits were completed – Employee Expenses and President's Office Expenses. Ms. Hom summarized the results of both audits noting that the Internal Audit team has performed these audits every year.

Upon completion of these audits, the team found no major matters involving internal control and its operation that were considered to be material weaknesses. Ms. Hom noted that the Corporation's guidelines were effective and that employee expenses and President's Office expenses were generally processed with supporting documentation and correctly recorded according to the policies in the Employee Handbook. Ms. Hom concluded reminding the Members that the Employee Expenses and President's Office Expenses audits are required to be performed each year pursuant to the 2003 Memorandum of Understanding between HDC and the City's Department of Investigation.

Mr. Gould again turned to Ms. Hom to present the Second Quarter 2024 Audit Plan. Ms. Hom stated that the proposed projects for the second quarter of 2024 include the continuation of two advisory projects related to the annual review and update to business continuity and succession planning, one assurance audit, one financial review, and the continuous monitoring of the investment portfolio. Hearing no questions, Ms. Hom requested that the Audit Committee members approve the Second Quarter 2024 Audit Plan. Mr. Gould made a motion, and the audit plan was approved.

Mr. Gould again turned to Ms. Hom to present the Internal Audit Charter. Ms. Hom noted that the Internal Audit Charter is required to be reviewed and approved every five years, or as needed upon a change in the Audit Committee Chair, change in Internal Audit reporting, or change in The Institute of Internal Auditors (or "IIA") standards. The last time the Audit Committee approved revisions to the Internal Audit Charter was March 28, 2019. There were four substantive revisions to the Internal Audit Charter. First was an update to the development, review, and approval of the audit plan from annual to quarterly to reflect the change the team made last year to quarterly audit planning. Second was an update to the IIA professional standards reference to reflect the updated document from the IIA that was

released on January 9, 2024. Third, the team incorporated an annual minimum continuing professional education (or “CPE”) requirement for all Internal Audit staff members (as recommended in the Quality Assessment Review (“QAR”) performed by BDO USA last year). Fourth was an update to the frameworks utilized in performing information systems audits. Hearing no questions, Ms. Hom requested the approval of the revised Internal Audit Charter. Mr. Gould made a motion, and the Charter was approved.

At 11:01am, with no further business, the meeting was adjourned.

Respectfully submitted,

Jeremy Boyer

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March 27th, 2024

ATTENDANCE LIST (HYBRID (LIVE/VIRTUAL) MEETING)

NAME

AFFILIATION

Harry Gould	Audit Committee Member
Marc Norman	Audit Committee Member
Danielle Hurlburt	Ernst & Young
Cathy Baumann	NYC Housing Development Corp.
Jeremy Boyer	NYC Housing Development Corp.
Paul Cackler	NYC Housing Development Corp.
Austin Chin	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Madhavi Kulkarni	NYC Housing Development Corp.
Morgana Laurent	NYC Housing Development Corp.
Susannah Lipsyte	NYC Housing Development Corp.
Sophia Klein	NYC Housing Development Corp.
Ruth Moreira	NYC Housing Development Corp.
Trisha Ostergaard	NYC Housing Development Corp.
Elizabeth Rohlifing	NYC Housing Development Corp.
Mussa Sanoe	NYC Housing Development Corp.
Neil Saranga	NYC Housing Development Corp.
Moira Skeados	NYC Housing Development Corp.
Bobby Toth	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.